



OXFORD ANALYTICA

THAILAND MONETARY TRANSPARENCY

Country Report 2005

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THAILAND



COMPLIANCE RATINGS

<i>Monetary transparency</i>	2005	2004	2003	2002
Clarity of roles	••••	••••	••••	••
Open decision process	••••	••••	•••	••
Availability of information	•••••	•••••	•••••	•••••
Central bank accountability	•••	•••	••	••
Score	4.00	4.00	3.50	2.75

OUTLOOK & COMMENTARY

An important part of the Bank of Thailand's 2004-2007 Strategic Direction Plan was a revision of the Bank of Thailand Act that would strengthen its statutory independence. However, various factors have forced the new draft to be abandoned, and has now been replaced by an Emergency Decree which will no longer address the independent status of the central bank. The move has led to some concern about the reversibility of the administrative changes contained in the decree.

Thailand remains committed to the IMF Special Data Dissemination Standard (SDDS) requirements for coverage, periodicity and timelessness of monetary data.

EXECUTIVE SUMMARY

4.00 Compliance in progress

The IMF Article IV Consultation, released in October 2005, broadly praises the tightening of monetary policy in Thailand. The Bank of Thailand (BoT) raised interest rates twice in 2005; the policy directed by the central bank is another example of the BoT's de facto independence.

Although the BoT's independence was expected to be formalised by a revision of the Bank of Thailand Act, the draft was replaced by an Emergency Decree. The reasons for this are described as purely practical, given the length of time that parliamentary approval of the new Act was likely to take, and the decree contains many parts of the proposed legislation that have an impact on the operation of the central bank and its reserve requirement. However, most of the legislative amendments strengthening the formal independence of the BoT are not part of the Emergency Decree. The Decree should receive royal approval by end-2006.

Efforts are continuing to extend the debt restructuring capacities of the Thai Asset Management Corporation. While the majority of bad debts belong to commercial banks, about 100 billion Thai baht belong to state-owned special purpose banks.

The main challenges facing the BoT remain the formalisation of several procedures, such as those for the removal of members of the Monetary Policy Committee and the BoT's governor. It has been suggested the governor and the chairman of the Court of Directors should be different persons, so that the chairman could act as a check on the governor. Commentators have noted concern about the extent to which the BoT's independence relies on the quality of the governor in place, and the degree to which the BoT remains vulnerable to potential government influences.

Thailand's overall score is unchanged from last year.

1. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES OF CENTRAL BANKS



Compliance in progress

The objectives and institutional framework of monetary policy

Central bank objectives and responsibilities

The Bank of Thailand Act 1942 and accompanying Royal Decree 1942 authorise the Bank of Thailand (BoT) to issue bank notes, establish a Financial Institutions Development Fund (FIDF) to enhance stability and support development of the financial system, set interest rates, transact commercial bills, foreign exchange and government securities, and extend secured loans to government -- all under the general supervision of the minister of finance.¹

The BoT is organised in accordance with what it specifies as its three main functions: formulating monetary policy; supervising and examining financial institutions; and maintaining a payment system and issuing bank notes. The central bank has adopted the objective of providing a stable financial environment as its core strategic purpose, and it has defined its monetary policy aim as promoting price stability and sustainable economic growth.²

The BoT has not waited for parliamentary approval of the stipulated amendments of the BoT Act to take on the new objectives and institutional framework, as envisaged in the BoT's 2004-2007 Strategic Direction Plan.³ In this context, changes are being implemented -- to the extent permitted by the current law-- with the view that monetary transparency and the credibility of the central bank depend on these actions.⁴

An Emergency Decree was drafted earlier this year that would put in place many of the revisions originally contained in the proposed overhaul of the Bank of Thailand Act, which was dropped owing to the lengthy time it was expected to take getting through the legislature. The Decree still needs approval from the Ministry of Finance (MoF) and the cabinet, followed by the Council of State, the legislature, and the Crown. The process is likely to take most of 2006.

Operational autonomy

A chief objective of the reforms -- at least from the BoT's perspective -- is to boost the credibility of the BoT as the key monetary institution by reinforcing its political neutrality and installing more checks and balances.⁵ Although the general supervision of the affairs of the BoT is vested in the ministry of finance, BoT Governor Pridiyathorn Devakula has publicly said that the administration of the central bank remains under the direction of the Court of Directors. This is a group that exercises general control and superintendence of central bank affairs, and consists of the governor, three deputy governors, and at least five directors of appropriate professional background drawn from outside the BoT.⁶

Selection criteria for the Monetary Policy Committee and senior BoT staff have a critical bearing on monetary transparency. Governor Pridiyathorn said he wants the court chairman and governor to be appointed directly by parliament or a panel of respected economists drawn from outside the central bank, in order to declare the full operational independence of the BoT.⁷ Section 19 of the BoT Act currently stipulates that the governor and the deputy governors shall be appointed or removed from office by the Crown upon the recommendation of the cabinet; the other directors shall be appointed or removed from office by the cabinet upon the recommendation of the minister of finance.

Monetary policy is currently the responsibility of the Monetary Policy Committee (MPC), set up in 2000-01 as part of the inflation-targeting strategy. Governor Pridiyathorn had stated that the MPC and the Financial Institutions Policy Committee (FIPC) should also include experts from outside the BoT. In September 2003, the central bank announced the inclusion of two outside experts in the MPC. Previously, outside experts were included in policy-making boards as advisers rather than full members. That is an effort to promote the practice of transparency and good governance. The current seven-member MPC comprises three internal members (the governor and two deputy governors) and four external members with financial and macroeconomic expertise. The FIPC comprises 12 members: the governor, two deputy governors, two assistant governors, six external experts, and a secretary (who is a BoT senior official).

Under Governor Pridiyathorn, the BoT has thus sought to project a more neutral profile while conforming to the thrust of government policies. The BoT takes account of government policies in MPC deliberations, but is not bound by political directives. For example, it successfully resisted government pressure for the monetisation of debt carried out by the FIDF.⁸ Overall, Governor Pridiyathorn has adopted a stance of the central bank being independent in practice and not tolerating political interference.⁹ The BoT has increased interest rates twice this year as part of its commitment to achieve the inflation targeting¹⁰. The BoT also showed its independence when it refused to join the MoF in supporting the efforts of the CEO of the Krung Thai Bank (KTB) to retain his job, as the central bank judged he had not run the KTB with sufficient levels of transparency.¹¹

Institutional relationship between monetary and fiscal operations

The politicisation of monetary affairs had been previously evident in the vexed relationship between fiscal and monetary agencies. Frictions reached unprecedented levels during the build up to the 1997-98 financial crisis: the BoT was constantly caught between its obligations as lender of last resort, via the FIDF amid fragilities in the financial system, the need to stave off speculative attacks, and the responsibility of ensuring sustainable levels of public debt. Since then, the BoT and MoF have worked together successfully to build fiscal sustainability and reduce public debt.¹² Nevertheless, the new Emergency Decree seeks to impose additional restrictions on lending to the government. While details of these curbs are not disclosed, borrowings were likely restricted to funding emergencies.¹³ Those amendments are not included in the draft of the Emergency Decree that has superseded efforts to produce a legislative amendment of the BoT Law.¹⁴

Lending to government

Loans to the government may be made only if they are guaranteed. The BoT may grant unsecured loans and advances to the government, through the MoF, only for expenditure authorised in the ordinary budget under the specific restrictions established in Section 12 (8) of the Royal Decree 1942 regulating the affairs of the BoT and the Budgetary Appropriations Acts of 1959 and 1960. The BoT is eligible to purchase government securities in the primary market, although there is no formal information on the BoT policy for participating in the primary market. In addition, the BoT plays a role in the secondary market in accordance with its portfolio management policy.¹⁵ The BoT's website provides concise details of its mandate and outlines the exposure to government debt.¹⁶

Central bank involvement in the rest of the economy

Section 28 of the BoT Act establishes that the BoT must not transact any business other than those so specified, nor shall it transact any business prohibited by the Royal Decree. Section 13 of the Royal Decree 1942 describes the transactions that the BoT is prohibited to undertake, subject to the provisions of Section 12 and with the exception of those cases that require the satisfaction of any claims, or that would obstruct the conduct of its operations. The central bank is not allowed to engage in trade or have a direct interest in any commercial, industrial, or other

undertaking; purchase shares of any other bank or company, or grant loans upon the security of any such shares; or grant loans on mortgage of (or on the security of) immovable property or documents of title, or become the owner of immovable property.

A number of borrowings are authorised under the BoT Act for development purposes in support of government economic objectives. These are packaged in a programme of Financial Assistance to Priority Sectors: exports; agriculture; industry/small business; and special development projects. As outlined on the BoT's website, the central bank provides funding through private financial institutions and state development agencies like the Export-Import Bank of Thailand.¹⁷ The Industrial Finance Corporation of Thailand has now merged with Thai Dhanu Bank and Thai Military Banks, both commercial banks in September 2004. Although the BoT is authorised to purchase, sell and re-discount bills of exchange and promissory notes of commercial nature in accordance with government policies, these activities have hitherto been limited to providing support to projects from small-medium enterprises and countering the negative economic effects of avian flu and last December's tsunami.¹⁸

The Corporate Debt Restructuring Advisory Committee (CDRAC) coordinates the restructuring of private sector debt. The BoT Governor chairs the CDRAC, but its membership is drawn mostly from the private sector. In recent years, the BoT also assisted in the transfer of non-performing loans to the state-owned Thai Asset Management Corporation (TAMC). Information on the functions and operations of the CDRAC can be obtained from the BoT website.¹⁹

It was announced in November 2005 that the MoF will set up a debt restructuring agency to replace TAMC, on the grounds that the law supporting the TAMC's existence will expire in eight years. The TAMC is responsible for restructuring loans worth a total of 700 billion Thai baht, out of which 100 billion belong to special-purpose banks such as the Government Savings Bank and the Bank of Agriculture and Agricultural Cooperatives.²⁰

Procurement practices are followed in accordance with the BoT's internal rules (with respect to specific procedures) and the Official Information Act, B.E. 2540, which provides for the publication of the procurement news and rules.²¹

Agency roles performed by the central bank on behalf of the government

As the government's registrar, the BoT sells and transfers government securities through a primary dealer system, and is authorised to deal in government bills of exchange and shares, control and centralise foreign exchange, and undertake any other government business requested by the MoF. These operations are detailed in Section 12 (18) of the Royal Decree. There is a plan to centralise the bond registration system with the Thailand Securities Depository Co. Ltd (TSD), which should be fully operational in 2006.²²

2. OPEN PROCESS FOR FORMULATING AND REPORTING MONETARY POLICY DECISIONS

●●●● Compliance in progress

The framework, instruments, and targets of monetary policy

Framework and monetary targets

Since August 2000, the BoT has set explicit inflation targeting as the main objective of monetary policy. This replaced a monetary targeting regime that was adopted in the aftermath of the 1997 financial upheaval and the decision to end the currency peg with the basket of currencies. The switch reflected the BoT's belief that the relationship between money supply and output growth was becoming less stable as the financial sector expanded.

The fourteen-day repurchase rate is set as the key policy instrument, while the target is the quarterly average of core inflation. The BoT hosts a press conference after every policy review and is required to explain publicly if it misses the set targets.²³

Monetary instruments

The monetary policy instrument under the inflation-targeting framework is outlined in the quarterly *Inflation Report*. Currently, the MPC uses the 14-day repurchase rate as the key instrument to signal the monetary policy stance. Any changes in the policy stance or details of the level at which the 14-day repurchase rate is set are described in the periodic press release *Monetary Policy Committee Decisions*.²⁴ An overview of these press releases is compiled in the *Inflation Report* and in the central bank's *Annual Economic Report*.

The BoT uses a numeric macroeconomic model (available on its website) to analyse the response of the economy to external shocks and policy changes. The model comprises 23 behavioural equations and 28 identities; the equations and an explanation of how the MPC uses its forecasts are available on the BoT website.²⁵ Changes to the underlying assumptions and notes on its forecasts are described in the *Inflation Report*.

The monetary policy-making body

Monetary board

Monetary policy is set by the Monetary Policy Committee (MPC), which before 2001 was known as the Monetary Policy Board. The MPC's primary function is to decide the direction of monetary policy in relation to price stability. In order to achieve its objective, it internally monitors the adequate functioning of the balance of payments, foreign exchange rates, economic growth, investment levels, industrial production, employment, and other relevant factors.

Since September 2003 the MPC has included external experts and internal professional officers, and changes in the composition of the MPC are now publicly disclosed in press releases and on the BoT website. The MPC still needs to add statutory independence to its actual operational independence in the conduct of monetary policy.

Within the central bank, the Monetary Policy Group (MPG) supports the MPC. Some commentators highlighted that the MPG comprises professional technical staff and has a high proportion of a new generation of Thai officials with doctorates from renowned foreign universities, including some recruited from academia.²⁶

Public statements on monetary policy

Periodic publications

The BoT website presents an advance calendar for the release of macroeconomic data.²⁷ Data releases include monthly reports on economic and monetary conditions, the quarterly *Inflation Report*, and a detailed account of interest rate movements. Of these, the most relevant are the *Inflation Report* and the *Quarterly Economic Assessment and Outlook*, which analyse monetary conditions in relation to the broader economy.²⁸ Macroeconomic data are available through the BoT website, the MoF database and a site maintained by the National Economic and Social Development Board (NESDB), the chief state planning agency.

The BoT website also makes available weekly press statements, and monthly and annual *Reports on Economic and Monetary Conditions*, combining macroeconomic and sectoral data with analysis of growth trends, including monetary aggregates and exchange rates. Most publications are available in English (the monthly report is in Thai only). Historic data are also available on the website and in the *Annual Economic Report*.

Public hearings

The MPC holds a press conference at the end of each of its meetings, which are held every six weeks according to a pre-announced schedule. The MPC publishes its forward schedule of meetings, seminars on the macro-economy, press releases, reports on the economy and macroeconomic conditions, economic indices, and presentations used during the meetings as well as its decisions on the BoT website.²⁹ In addition, the MPC invites investors to participate in conferences when the *Inflation Report* is released.

Regulations on data reporting by financial institutions to the central bank

Financial institutions are required to report lending practices to the BoT and to meet the Bank of International Settlement's liquidity and capital reserve standards. The pending Financial Institutions Act will restate and bring statutory clarity to the current structure of regulatory responsibility. At present, commercial banks report to the MoF (which delegates this power to the BoT) in accordance with the Commercial Banking Act, B.E. 2505 (1962). Finance companies, finance and securities companies, and credit foncier companies report to the BoT in accordance with the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business, B.E. 2522 (1979). The BoT also examines and reports to the MoF the operations of the Specialised Financial Institutions (SFIs) in accordance with the specific laws establishing each SFI.³⁰

The former unclear regulatory jurisdiction led to the establishment in 2001 of the Financial Institutions Policy Committee, with a mandate to monitor market conditions, and the adoption of a Commercial Bank/Finance Companies Act that transferred more supervisory powers to the BoT. The current supervisory structure and the relevant laws are detailed on the BoT website.³¹

3. PUBLIC AVAILABILITY OF INFORMATION ON MONETARY POLICY

●●●●● Full compliance

Release of central bank data

As a subscriber to the IMF Special Data Dissemination Standard (SDDS), Thailand conforms to the requirements for coverage, periodicity, and timeliness of monetary data. The BoT compiles and publishes a broad range of economic and financial data, some of which are compiled in accordance with Sections 35-37 of the BoT Act and Sections 20-22 of the accompanying Royal Decree 1942, while others are compiled for operational and policy requirements, and are subsequently published. Data compiled by the BoT include central government debt; balance of payments; analytical accounts of the banking sector; analytical accounts of the central bank; interest rates data; and exchange rates.

All economic and financial statistics are contained in the databank on the BoT website.³² The databank includes the central bank's preliminary statistics, final quarterly *Economic and Financial Statistics*, and links to statistics from other agencies, such as the quarterly GDP figures and the consumer price index (CPI). Secondary non-monetary statistics including population numbers and retail trade indices are also available from the website.

The BoT currently implements the 'Codes of Statistical Practice for the Bank of Thailand' as a guideline to enhance quality and effectiveness of data providing responsibility. The code is available on the BoT website.³³

The central bank balance sheet

Accounts are published weekly on the BoT website with a lag of one week as the *Press Release on Economic and Monetary Conditions*, detailing the international reserve (marked to market), net forward position, net claims on government, net claims on domestic financial institutions, and reserve money. The weekly accounts are also provided in the form of a twelve-month review table of the central bank's assets and liabilities.³⁴

In order to meet statutory obligations, the BoT also publishes a *Weekly Report*, comprising the returns of each Thursday from its Issue Department and Banking Department, with a lag of three months. The returns of the two departments detail banknotes in circulation and the BoT's money, gold, securities holdings and net foreign position. The *Weekly Report* is made available on the BoT website, including rolling over issues for the last two fiscal years.³⁵

Following audits by the BoT's Internal Audit Group, and those from the two independent auditors (the BoT Audit Committee and the external Office of the Auditor General), the central bank incorporates them into the *Annual Economic Report*.³⁶ The profit and loss accounts, changes in capital, cash flows, and statements and accompanying comments from the auditors are included in the report.

Lender of last resort

Section 12 (7 bis) of the Royal Decree 1942 establishes the conditions for the central bank to undertake operations as lender of last resort. Loans can be granted to financial institutions on the security of properties or shares of banks, financial institutions or any other companies, only when the financial institutions are facing, or are about to face, a

financial crisis -- the consequences of which may materially and adversely affect the country's financial system. The BoT's Court of Directors has the power to fix the terms and conditions of such loans as it deems appropriate.

In addition, Section 29 (octo) of the BoT Act establishes the provisions under which lender of last resort operations may be carried out by the FIDF -- a separate juristic entity with the purpose of reconstructing and developing the financial system and enhancing its stability. The FIDF is empowered to lend money to an illiquid financial institution against a reasonable security, and to give reasonable amounts of financial assistance to depositors or creditors of a financial institution who sustain losses as a consequence of such institution facing a serious financial crisis. At present, FIDF provides full protection for depositors of financial institutions, but it will be moved into the new Deposit Insurance Agency being established by the Deposit Insurance Act.³⁷ Details of FIDF operations and its financial statements are available on the BoT website.³⁸

Public information services

Information services have been overhauled since they were identified by the IMF as a contributing factor to poor investment decisions that created the liquidity bubble behind the 1997-98 financial crisis. The BoT responded with a reform programme that re-launched the website and introduced a new culture of openness that has yet to be matched by other government agencies. This was partly to fulfil disclosure obligations under the Public Information Act. Comprehensive data are now available, ranging from background reports to press releases, market analysis and data. The BoT's own activities, including its strategic plans, are also discussed in depth. All coverage is in English and Thai.

The BoT is paying close attention to the overall quality and dissemination of public information. In this context, the central bank has developed a Data Management System programme (DMS) to increase efficiency and reliability of the information, and it has established a working group with various government agencies to review and conduct a self-assessment exercise in preparation for an IMF Report on the Observance of Standards and Codes (ROSC) on Data Dissemination. In addition, the BoT plans to participate in an IMF Financial Sector Assessment Program (FSAP) by the end of 2006 or early 2007.³⁹

Extensive information on the functions and objectives of the Corporate Debt Restructuring Advisory Committee (CDRAC) and the FIDF are available on the BoT website, including their links with state development banks, the Export-Import Bank and private financial institutions. The site outlines lending options, the type of activity that is eligible for support, and eligibility criteria.⁴⁰ Details of the restructuring role played by the TAMC as a central clearing house for non-performing loans are reported briefly on the BoT website and more comprehensively by the MoF, which has overall jurisdiction for restructuring corporate debt.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY BY THE CENTRAL BANK



Enacted

Accountability before a designated public authority

Senior BoT officials regularly brief the cabinet on specific monetary issues. Depending upon the importance of the matter, the BoT will be represented either by the BoT Governor or any of the deputy governors. Senior BoT officials appear in parliament when invited, for instance when parliament is debating issues including non-performing loans and interest rates, but the parliament has no regular reporting requirement. Under the BoT's current strategic objective, the governor and the deputy governors will take turns to attend various parliamentary scrutiny committees upon invitation.⁴¹

Financial statement

Audited financial statement

The BoT publishes weekly reports on its financial status and an annual financial statement to comply with statutory requirements. The weekly reports are included in the Thai government's journal *Government Gazette*, and also on the BoT website. The annual accounts are included in the central bank's *Annual Economic Report*, which is available on the BoT website. Details are provided of operating costs and revenues of the BoT in compliance with international accounting standards.⁴²

External and internal audit

Internal and external auditing is carried out at three distinct levels. All accounts are audited by the BoT's Internal Audit Group and the independent BoT Audit Committee, and then submitted to the Office of the Auditor General (OAG).⁴³ The OAG also reports on the status of the central bank's currency reserves and the custody and disbursement of monies.⁴⁴

The BoT's Internal Audit Group reviews issues relating to management controls, risk management and governance processes (these include transparency in the areas of accounting, IT, procurement, personnel and development, cash centre, payments system, among others).

The independent Audit Committee of the BoT reviews the central bank's *Financial Report*, the efficiency and effectiveness of the existing internal control system, and the independence of external and internal auditors. The Audit Committee comprises three external experts (one being an appointed member of the Court of Directors), who work under the 'Audit Committees Operating Framework' authorised by the central bank's Court of Directors. The *Report of the Chairman of the Audit Committee*, which describes the composition of the committee and the main conclusions of its assessment, is included in the *Annual Economic Report*.

The OAG reviews the BoT's financial statements in accordance with the established laws -- the Currency Act (B.E. 2501), the BoT Act and the Royal Decree 1942, and the accounting practices. It also reports on the status of BoT currency reserves and the custody and disbursement of monies. The Auditor General's statement (*Report of the Auditors and Bank of Thailand Financial Statements*) is also included in the *Annual Economic Report*.

The OAG functions as an independent body; the independent Audit Committee of the BoT and the Audit Commissioners of the OAG both review its integrity. There are no current plans for a complete auditing exercise to be transferred or commissioned to a non-government entity. However, the OAG has asked the National Electronics and Computer Technology Centre (NECTEC) to conduct an IT auditing exercise to cover 2005 in accordance with the BS 7799 code of practice. This exercise aims to improve the security of the BoT's IT system. The NECTEC will prepare and submit guidelines for IT auditing for the BoT based on the result of the IT auditing exercise, and the OAG will use them for conducting its own internal IT auditing in the future.⁴⁵

Conduct of officials

Section 19 of the BoT Act prescribes that the governor and the deputy governors may be appointed and removed from office by the Crown upon the recommendation of the cabinet; members of the Court of Directors may be appointed and removed by the cabinet upon the recommendation of the minister of finance. Stated grounds for dismissal of directors are outlined in Section 11 of the Royal Decree 1942.⁴⁶ Section 9 provides safeguards for members of the Court of Directors against being liable for any expenses or losses suffered by the central bank as a consequence of anything done in the execution of their duties, except in those cases where these are incurred through personal fault in the form of a wilful act or omission, or gross negligence.

A previous governor, M.R. Chatu Mongol Sonakul, is widely regarded as having been forced from office by those associated with the prime minister. In order to allay this concern, the BoT had incorporated safeguards from political interference in the draft of the new BoT Act. If those had been adopted, either the parliament or a panel of 'wise men' drawn from leaders of the public and private sectors would have selected the BoT Governor in future. Recent developments show that the system will remain as it was until further amendments are designed in the future.⁴⁷

Selection criteria for the appointment of the BoT Governor are subject to the Act on Qualifications for Directors and Officers of Public Agencies (B.E. 2518). All BoT officials are subject to the BoT's internal code of ethics, the Act on Criminal Liabilities of Officers in Public Organizations or Public Agencies (B.E. 2502), and the Act on Tort Liabilities of Officers (B.E. 2539). The Office of the Civil Service Commission can also summon officials for any breaches; these are usually punished through loss of entitlements or demotion rather than dismissal. Specified high-level officials are subject to regulations from the National Counter-Corruption Commission (NCCC), which may recommend dismissal or prosecution if it finds that an officer has taken financial advantage of his position.

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Thailand between 26 October to 1 November 2005:

Bank of Thailand

27 October 2005

Amporn Sangmanee	Division Executive	Monetary Policy Group
Roong Poshyananda Mallikamas	Team Executive	Monetary Policy Group

Ministry of Finance

1 November 2005

Suparatana Treeriluxana	Director	Fiscal Policy Office
Pairin Podachuen	Director	Budget and Fiscal Policy Division
Pornchai Thiraveja	Director	Expenditure Policy Sub-division
Khamchit Kunakorn	Economist	Fiscal Policy Office
Pisit Puapan	Economist	Fiscal Policy Office
Tatchakorn Pongroj	Economist	Fiscal Policy Office
Chatinee Pakasupa	Economist	Local Fiscal Policy Division
Pahon Kao-eon	Economist	Local Fiscal Policy Division
Chayatatt Wadhanakul	Economist	Local Fiscal Policy Division

ADDITIONAL INTERVIEWS

31 October 2005

Teerana Bhongmakapat	Chairman, BA Economics Program	Chulalongkorn University
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26 October 2005

Nitinai Sirismatthakarn	Economic Advisor	Fiscal Policy Research Institute
Susheel Narula	Senior Vice President	SCBS Research Department

27 October 2005

Rapeesupa Wangcharoenrungs	Senior Researcher	Fiscal Policy Research Institute
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1 November 2005

Eric Sidgwick	Senior Economist	World Bank - Bangkok Office
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NOTES

¹ *Bank of Thailand Act*, Government Gazette, vol. 59, Part 30, 5 May 1942:

www.bot.or.th/BOTHomepage/General/Laws_Notif_Forms/Legal/BOT/BOT-E/BOTAct-E.htm and *Royal Decree Regulating the Affairs of the Bank of Thailand*, Government Gazette, Vol. 59, Part 76, 8 December 1942:

www.bot.or.th/BOTHomepage/General/Laws_Notif_Forms/Legal/BOT/BOTroyal-E/ROYAL%20DECREE.htm

² See: www.bot.or.th/BOTHomepage/BankAtWork/AboutBOT/StrategicDirection/index_E.htm and www.bot.or.th/bothomepage/BankAtWork/AboutBOT/Organize/Explanation/Explain_E.htm

The aim of monetary policy is stated in, for example, the September 2003 press release announcing the inclusion of external members in the Monetary Policy Committee:

www.bot.or.th/BOTHomepage/General/PressReleasesAndSpeeches/PressReleases/news2546/Eng/n3046e.htm

³ See: www.bot.or.th/BOTHomepage/BankAtWork/AboutBOT/StrategicPlan/indexE.html

⁴ Interviews in Thailand, 4-7 October 2004. Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 3.

⁵ Interviews in Thailand, 9-11 October 2002.

⁶ Current members of the Court of Directors are listed at:

www.bot.or.th/bothomepage/BankAtWork/AboutBOT/Chart/Directors/Eng/court_E.htm

⁷ Interviews in Thailand, 8-9 December 2003. The Thai press, senior BoT officers, and the public accept that the preceding governor, M.R. Chatu Mongkol Sonakul, was forced out of office by forces associated with Prime Minister Thaksin, but not because of any issue associated with monetary policy. See for example, ‘Thirachai wins top SEC post’, *The Nation*, 10 December 2003, p. 1.

⁸ There have been three occasions when bonds were issued for the FIDF obligations: in 1998, 2000 and 2002. Since 1998, these bonds have been progressively fiscalised. The enactment of the Emergency Decree empowering the Ministry of Finance to borrow and manage loans to support FIDF obligations Phase 2, B.E. 2545 (2002) provides for a comprehensive fiscalisation plan of the past, present and future obligations of the FIDF. See ‘The Fiscalization of Fiscal Institutions Development Fund’s losses’, 20 June 2002:

www.bot.or.th/BOTHomepage/General/PressReleasesAndSpeeches/PressReleases/news2545/Eng/n2245e.htm

⁹ Interviews in Thailand, 8-9 December 2003. Governor Pridiyathorn has publicly stated that he will not be reluctant to resign should he be subject to political pressure.

¹⁰ IMF Executive Board Concludes 2005 Article IV Consultation with Thailand, IMF Public Information Notice (PIN) No. 05/150, October 27, 2005.

¹¹ Interviews in Thailand, 26 October to 1 November 2005.

¹² Interviews in Thailand, 26 October to 1 November 2005.

¹³ Interviews in Thailand, 9-11 October 2002.

¹⁴ Interviews in Thailand, 26 October to 1 November 2005.

¹⁵ Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 5.

¹⁶ See *Bond and Debt Instruments* at: www.bot.or.th/BOTHomepage/BankAtWork/Bond/bond_e.htm

¹⁷ Interviews in Thailand, 26 October to 1 November 2005.

¹⁸ Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 5.

¹⁹ See www.bot.or.th/BOTHomepage/Special/CDRAC/BackGroundInFo/BgInFoEng.html

²⁰ *The Nation*, ‘MOF to set up debt restructuring agency to replace TAMC’, 16 November 2005.

²¹ See Official Information Act, B.E. 2540 at:

www.krisdika.go.th/lawHtmStaticContent01.jsp?frm=tmp&page=eng&lawType=law2&lawCode=%a203&lawID=%a203-20-2540-001

²² Interviews in Thailand, 26 October to 1 November 2005.

²³ Interviews in Thailand, 8-9 December 2003.

²⁴ *Bank of Thailand Press Releases 2005* are available at:

www.bot.or.th/BOTHomepage/General/PressReleasesAndSpeeches/PressReleases/news2548/ListEng.htm

²⁵ See *The Bank of Thailand’s Macroeconomic Model for Inflation Targeting* at:

www.bot.or.th/BOTHomepage/BankAtWork/Monetary&FXPolicies/Monet_Policy/model/8-23-2000-Eng-i/macro_e.htm

²⁶ Interviews in Thailand, 8-9 December 2003. The organisation chart of the BoT gives the name and contact details for the assistant governor in charge of the MPG and shows the relationship with the MPC:

www.bot.or.th/bothomepage/BankAtWork/AboutBOT/Chart/Eng/BIG_BOT_E.htm

²⁷ For 2005, see www.bot.or.th/BOTHomepage/databank/EconData/ARC/ARC2005E.asp

²⁸ *Inflation Report* at:

www.bot.or.th/BOTHomepage/BankAtWork/Monetary&FXPolicies/Monet_policy/report/index_eng_i.asp

²⁹ See *The Schedule for the Monetary Policy Committee Meeting for 2005* at:

www.bot.or.th/bothomepage/BankAtWork/Monetary&FXPolicies/Monet_Policy/schedule/12-12-2002-Eng-i/TheSchedulefor2005-ENG.htm MPC decisions are published as press releases. See *Bank of Thailand Press Releases 2005* at:

www.bot.or.th/BOTHomepage/General/PressReleasesAndSpeeches/PressReleases/news2548/ListEng.htm

³⁰ Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 8. In addition, securities companies report to the Securities and Exchange Commission (SEC) in accordance with the Securities and Exchange Act, B.E.2535 (1992). Insurance companies report to the Ministry of Commerce.

³¹ In particular, the Financial Institutions Policy Committee (FIPC) was established in 2003. Its mandates are to formulate and monitor supervision and examination policies of financial institutions (commercial banks, finance companies, finance –and securities companies, and credit foncier companies) and SFIs for which the BoT has been delegated supervisory authorities by the MoF; to issue licenses; to formulate policies for intervention and to solve financial institutions' problems. See:

www.bot.or.th/bothomepage/BankAtWork/Financial_Supervision/FinInThailand/FinInThailandE.htm

³² www.bot.or.th/BOTHomepage/databank/EconData/EconData_e.htm

³³ www.bot.or.th/bothomepage/databank/EconData/Others/Code_of_Practice_E.asp

³⁴ www.bot.or.th/BOTHomepage/DataBank/Econcond/pressrel/weekly/index_eng_i.asp

³⁵ See the index at: www.bot.or.th/bothomepage/BankAtWork/AboutBOT/BOTPlan/AnnualAccount_E.htm

³⁶ The *Annual Accounts* reports are available on the BoT website at:

www.bot.or.th/BOTHomepage/BankAtWork/AboutBOT/BOTPlan/Yearly_E.htm

³⁷ Interviews in Thailand, 26 October to 1 November 2005.

³⁸ www.bot.or.th/BOTHomepage/Special/FIDF/foundation_state.htm

³⁹ Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 11.

⁴⁰ For the CDRAC, see: www.bot.or.th/bothomepage/Special/CDRAC/cdrac_e.htm

For the FIDF, see: www.bot.or.th/bothomepage/Special/FIDF/foundation_e.htm

⁴¹ Interviews in Thailand, 4-7 October 2004.

⁴² See the Bank of Thailand's *Annual Economic Report* at:

www.bot.or.th/bothomepage/databank/ArticlesAndPublications/year_report_e.htm

⁴³ Written comments from the Bank of Thailand to *Oxford Analytica*, 20 October 2004, p. 12.

⁴⁴ See Office of the Auditor General at: www.oag.go.th

⁴⁵ Interviews in Thailand, 26 October to 1 November 2005.

⁴⁶ These are: becoming bankrupt or incompetent, being absent from more than three consecutive meetings of the Court of Directors without reasonable excuse, and the acceptance of a directorship or office in any other bank.

⁴⁷ Interviews in Thailand, 8-9 December 2003.